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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
LOS ANGELES

BY \_\_\_\_\_

8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 JOE MIKUS, INDIVIDUALLY AND ON  
12 BEHALF OF ALL OTHERS SIMILARLY  
13 SITUATED,

14 Plaintiff,

15 vs.

16 LONGTOP FINANCIAL TECHNOLOGIES  
17 LIMITED, HIU KUNG KA (XIAOGONG  
18 JIA), WAI CHAU LIN (WEIZHOU LIAN),  
19 DEREK PALASCHUK, THOMAS  
20 GURNEE, ZUYUN XUE, AND YIFENG  
21 SHEN,

22 Defendants.

CASE No.: **CV11-4402**

mmm (FFM)

CLASS ACTION  
COMPLAINT FOR  
VIOLATION OF THE  
SECURITIES LAWS

JURY TRIAL  
DEMANDED

23  
24 Plaintiff Joe Mikus ("Plaintiff"), individually and on behalf of all other  
25 persons similarly situated, by his undersigned attorneys, for his complaint against  
26 Defendants, alleges the following based upon personal knowledge as to himself and  
27 his own acts, and information and belief as to all other matters, based upon, *inter*  
28 *alia*, the investigation conducted by and through his attorneys, which included,

1 among other things, a review of the defendants' public documents, conference calls  
2 and announcements made by defendants, United States Securities and Exchange  
3 Commission ("SEC") filings, wire and press releases published by and regarding  
4 Longtop Financial Technologies Limited ("LFT" or the "Company"), securities  
5 analysts' reports and advisories about the Company, and information readily  
6 obtainable on the Internet. Plaintiff believes that substantial evidentiary support  
7 will exist for the allegations set forth herein after a reasonable opportunity for  
8 discovery.

### 9 **NATURE OF THE ACTION**

10 1. This is a federal securities class action on behalf of a class consisting  
11 of all persons other than Defendants who purchased the common stock of LFT  
12 between June 29, 2009 and April 25, 2011, inclusive (the "Class Period"), seeking  
13 to recover damages caused by Defendants' violations of federal securities laws.

14 2. Defendant LFT purports to provide software and information  
15 technology to the financial services industry in China.

16 3. Defendant LFT does not directly employ most of its staff; rather, it  
17 hires them 80% of them employment agencies.

18 4. 95% of its staff is hired through Xiamen Longtop Human Resources  
19 Services Co. Xiamen Longtop has no other business than to staff Defendant LFT.

20 5. Xiamen Longtop is a related party.

21 6. Defendants did not disclose that Xiamen Longtop is a related party.

22 7. Defendants also intentionally concealed the Company's chairman Ka's  
23 and CEO Lin's previous "work experience". This work experience included  
24 litigation by a company they founded against them for unfair business practices.  
25 Ka and Lin lost – they were found liable for unfair business practices.

26 8. In addition, Defendants also made materially false and misleading  
27 statements about the Company by vastly overstating the Company's margins, which  
28 were much greater than those of any peer company.

1           9. On April 26, 2011, analyst firm Citron Research published a report on  
2 LFT. It alleged that LFT had concealed a related party transaction with Xiamen  
3 Longtop, that Ka and Lin had been found guilty of unfair trade practices, and that  
4 LFT's outsized margins – by far larger than those of any competitor – were a red  
5 flag.

6           10. Also on April 26, 2011, respected analyst John Hempton of Bronte  
7 Capital also published an article on LFT. Hempton questioned why a company  
8 with no capital needs and large cash reserves would make large secondary  
9 offerings.

10           11. LFT's stock price fell dramatically, from \$25.54/share at closing on  
11 April 25, to \$17.13/share at closing on April 27, 2011, about a 33% loss, on  
12 extraordinarily heavy trading volume, damaging investors.

13           12. On May 9, OLP Global, another analyst firm, published a more  
14 detailed report, setting forth a host of detailed allegations of the Company's frauds.

15           13. The OLP report was followed up by an updated report that same day  
16 by Citron that reiterated that Xiamen Longtop is a related party, and accused LFT  
17 of dramatically overstating its revenues.

18           14. On May 17, 2011, LFT initiated a trading halt in its shares pending  
19 material news.

20           15. On May 23, 2011, LFT issued a press release announcing (a) the  
21 resignation of the Company's CFO; (b) the resignation of the Company's auditor,  
22 Deloitte & Touche Tohmatsu CPA Ltd. ("Deloitte"); (c) an SEC inquiry; and (d)  
23 the formation of a special investigation.

24           16. According to the announcement, Deloitte had resigned because of  
25 among other things:

26           “(1) the recently identified **falsity of the Company's financial records in**  
27           **relation to cash at bank and loan balances (and possibly in sales**  
28           **revenue); (2) the deliberate interference by certain members of Longtop**



1 North Point, Hong Kong. Its China operations' principal office is located at 15/F,  
2 Block A, Chuangxin Building, Software Park, Xiamen, 361005, People's Republic  
3 of China ("PRC").

4 23. LFT, through its subsidiaries, purports to provide software and  
5 information technology services for the financial services industry in the PRC.

6 24. Beginning on October 25, 2007, the Company's American depositary  
7 shares ("ADS") were actively traded on the New York Stock Exchange ("NYSE")  
8 under the symbol "LFT."

9 25. Defendant Wai Chau Lin ("Lin"), who is also referred to as Weizhou  
10 Lian, was at all relevant times the Company's CEO and a director.

11 26. Defendant Hiu Kung Ka ("Ka"), who is also referred to as Xiaogong  
12 Jia, was at all relevant times the Company's Chairman of the Board.

13 27. Defendant Derek Palaschuk ("Palaschuk") was and is the Company's  
14 CFO since September 2006. Palaschuk is a Canadian Chartered Accountant.  
15 Palaschuk was also a director and the chairman of audit committee of another PRC-  
16 based company, Renren Inc. Palaschuk resigned as Renren's director just before  
17 Renren's \$690.3 million IPO in the US. His stated reason was to avoid bringing  
18 unwarranted attention to Renren.

19 28. Defendant Thomas Gurnee ("Gurnee") was and is a director and  
20 chairman of the audit committee since January 2007.

21 29. Defendant Zuyun Xue ("Xue") was and is a director and a member of  
22 the audit committee since October 2007.

23 30. Defendant Yifeng Shen ("Shen") was and is a director and a member  
24 of the audit committee since October 2008.

25 31. Ka, Lin, Palaschuk, Gurnee, Xue and Shen are collectively referred to  
26 as the "Individual Defendants."

27 32. During the Class Period, each of the Individual Defendants, as senior  
28 executive officers, agents, and/or directors of LFT and its subsidiaries and affiliates,

1 was privy to non-public information concerning the Company's business, finances,  
2 products, markets, and present and future business prospects, via access to internal  
3 corporate documents, conversations and connections with other corporate officers  
4 and employees, attendance at management and Board of Directors meetings and  
5 committees thereof, and via reports and other information provided to them in  
6 connection therewith. Because of their possession of such information, the  
7 Individual Defendants knew or recklessly disregarded the fact that adverse facts  
8 specified herein had not been disclosed to, and were being concealed from, the  
9 investing public.

10 33. The Individual Defendants participated in the drafting, preparation,  
11 and/or approval of the various public, shareholder, and investor reports and other  
12 communications complained of herein and were aware of, or recklessly  
13 disregarded, the misstatements contained therein and omissions therefrom, and  
14 were aware of their materially false and misleading nature. Because of their Board  
15 membership and/or executive and managerial positions with LFT, each of the  
16 Individual Defendants had access to the adverse undisclosed information about  
17 LFT's financial condition and performance as particularized herein and knew (or  
18 recklessly disregarded) that these adverse facts rendered the positive representations  
19 made by or about LFT and its business issued or adopted by the Company  
20 materially false and misleading.

### 21 **SUBSTANTIVE ALLEGATIONS**

22 34. The Class Period begins on June 29, 2009 when the Company filed its  
23 annual report for the fiscal year ending March 31, 2009 with the SEC on Form 20-F  
24 ("2008 20-F.") The 20-F, pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"),  
25 was separately certified by defendants Lin and Palaschuk, who each attested both to  
26 the accuracy of the financial statements and that all fraud was disclosed.

27 35. On November 18, 2009, the Company filed a final prospectus with the  
28 SEC on Form 424B5 (the "November 16 Prospectus") for the sale of 3.7 million

1 ADSs, each ADS representing one ordinary share, with proceeds of \$ 110,422,060  
2 going to LFT.

3 36. On July 16, 2010, the Company filed its annual report for the fiscal  
4 year ending March 31, 2010 with the SEC on Form 20-F (“2009 20-F.”) The 20-F,  
5 pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”), was separately certified by  
6 defendants Lin and Palaschuk, who each attested both to the accuracy of the  
7 financial statements and that all fraud was disclosed.

8 37. Each of these SEC filings contained materially false and misleading  
9 statements.

10 38. Throughout the Class Period, Defendants vastly overstated the  
11 Company’s margins , which were much greater than those of any peer company.

12 39. Defendants also failed to disclose that its major HR staffing company  
13 Xiamen Longtop (“XLHRS”) is a related party of LFT. Xiamen Longtop:

- 14 • Has as its sole customer LFT;
- 15 • Was formed in May of 2007, just months before LFT’s IPO;
- 16 • Is LFT’s largest line item expenditure by far, but was never mentioned in  
17 filings until the annual report filed July 2008;
- 18 • Has no website and does not seem to be soliciting any customers;
- 19 • Does not have any long-term contract with LFT, and LFT does not have to  
20 pay any penalties or minimums;
- 21 • Uses the same email server as LFT;
- 22 • Is located in the same building as LFT;

23 40. As further evidence that Xiamen Longtop is a related party, LFT  
24 terminated the relationship when it was challenged. Xiamen Longtop has not been  
25 soliciting any customers since losing their sole customer, LFT.

26 41. Defendants also intentionally concealed the Company’s chairman Ka’s  
27 and CEO Lin’s previous “work experience”. This work experience included  
28



1 litigation by a company they founded against them for unfair business practices.  
2 Ka and Lin lost – they were found liable for unfair business practices.

3 **THE TRUTH BEGINS TO EMERGE**

4 42. On April 26, 2011, an analyst firm Citron Research published a report  
5 on LFT. The report claimed, among other things, that:

- 6 • LFT reports spectacularly high margins — much greater than any peer  
7 company. In the fiscal year March 2010 LFT reported gross margins of 69%  
8 and non-GAAP operating margins of 49%. Peers report gross margins  
9 between 15-50% and operating margins of 10-25% or even lower. The high  
10 margins are too good to be true.
- 11 • LFT failed to disclose that its HR staffing company - Xiamen Longtop  
12 Human Resources Service Co., Ltd. is a related party. As of March 31, 2010,  
13 3235 of LFT's employees (76%) were provided by Xiamen Longtop.
- 14 • LFT's Chairman Ka and CEO Lin concealed their previous work experience  
15 in a company named Xiamen Dongnan Computer Co.

16 43. The same day, respected analyst John Hempton of Bronte Capital  
17 published an article questioning why LFT had made an over \$120 Million  
18 secondary offering when it already had over \$200 Million cash on hand.

19 44. LFT's stock price fell dramatically, from \$25.54/share at closing on  
20 April 25, to \$17.13/share at closing on April 27, 2011, about a 33% loss, on  
21 extraordinarily heavy trading volume, damaging investors.

22 45. On April 28, 2011, the Company held an investors' conference call  
23 joined by Defendant Palaschuk, Longtop's CFO, purporting to respond to Citron's  
24 report. LFT's stock price rose back to close at \$22.56/share on April 29, 2011.

25 46. On May 3, Hempton published another article, raising more red flags  
26 regarding LFT:  
27  
28



- LFT had allegedly previously claimed to provide a petabyte's worth of cloud-based storage service, an attractive line of business. But LFT does not actually provide a cloud based storage service:
  - LFT did not build a cloud-based storage infrastructure;
  - LFT did not build a petabyte data storage solution for anyone.
- Cloud computing is hugely capital intensive. But LFT managed to launch a cloud storage service at the petabyte level with almost no capital expenditure. Therefore, Hempton concluded that LFT had lied in the press release.

47. Thereafter, another analyst firm, OLP Global, also published a more detailed report, setting forth a host of detailed allegations calling into question the Company's true financial condition.

48. Also on May 9, 2011, Citron published a follow-up report, providing further evidence of the related-party relationship between LFT and Xiamen Longtop. It offered two alternative accounts:

Longtop Human Resources (XLHRS) is and was always a related party to Longtop Financial, essentially a captive entity created to hide expenses of Longtop Financial, and/or underpay employee benefits. They never in fact paid LFT employees as stipulated by SEC filings and press releases, but rather were always a vehicle to hide off balance sheet transactions.

[Or] Longtop Financial is a fraud of massive proportion that does not operate nearly on the scale that they claim ... either way, Longtop Human Resources is still a related party.

49. The series of reports caused LFT's stock price drop again to \$18.54/share at the close of trading on May 9, 2011.

50. On May 10, 2011, the Company issued a statement in response to the Citron and OLP reports, claiming that Xiamen Longtop is not a related party, and that the Company was not committing fraud.

1           51. In response, LFT's stock price recovered to about \$20/share at the  
2 closing of trading – still down from its pre-revelation high of \$25.54.

3           52. When the market closed on May 16, 2011, LFT's stock price was  
4 18.93/share, further damaging the investors.

5           53. On May 17, 2011, trading in LFT's shares was halted pending release  
6 of material news.

7           54. On May 23, 2011, the LFT issued a press release announcing (a) the  
8 resignation of the Company's CFO; (b) the resignation of the Company's auditor,  
9 Deloitte & Touche Tohmatsu CPA Ltd. ("Deloitte"); (c) an SEC inquiry; and (d)  
10 the formation of a special investigation. The announcement states in relevant part:

11           Longtop Financial Technologies Limited Announces Resignation of  
12 Independent Auditor and Chief Financial Officer, Initiation of Independent  
Investigation, SEC Inquiry and COO Appointment

13           **Press Release** Source: Longtop Financial Technologies Limited On Monday  
14 May 23, 2011, 5:00 am EDT

15           HONG KONG, May 23, 2011 /PRNewswire-Asia/ -- Longtop Financial  
16 Technologies Limited ("Longtop" or the "Company") (NYSE:[LFT](#) - [News](#))  
17 announced today that the Company's registered independent accounting firm,  
18 Deloitte Touche Tohmatsu CPA Ltd. ("DTT"), has resigned as auditor of the  
19 Company by letter dated May 22, 2011. The Company also announced that  
20 Derek Palaschuk, the Company's Chief Financial Officer, tendered his  
resignation by letter, dated May 19, 2011, and the Board has taken his  
resignation under advisement.

21           In its letter, DTT stated that it was resigning as the result of, among other  
22 things (1) the recently identified falsity of the Company's financial records in  
23 relation to cash at bank and loan balances (and possibly in sales revenue); (2)  
24 the deliberate interference by certain members of Longtop management in  
DTT's audit process; and (3) the unlawful detention of DTT's audit  
25 files. DTT further stated that DTT was no longer able to rely on  
26 management's representations in relation to prior period financial reports, that  
27 continued reliance should no longer be placed on DTT's audit reports on the  
28 previous financial statements, and DTT declined to be associated with any of  
the Company's financial communications in 2010 and 2011.

1 Longtop's Audit Committee has retained US legal counsel and authorized the  
2 retention of forensic accountants to conduct an independent investigation into  
3 the matters raised by DTT's resignation letter. The Audit Committee has also  
4 initiated a search for a new auditor. Further, Longtop was advised by the  
5 United States Securities and Exchange Commission ("SEC") that the SEC  
6 was conducting an inquiry regarding related matters. Longtop intends to  
7 cooperate fully with the SEC's inquiry.

8 Longtop is unable to determine the full effect of these matters, including  
9 whether any restatement of its historical financial statements will be required,  
10 until the Audit Committee completes its review. Longtop cannot predict  
11 when it will announce its financial results for Q4 2011, or when it will file its  
12 Form 20F for the fiscal year ended March 31, 2011.

13 Further, the Company announced that Wei Dong, Senior Vice President since  
14 April 1, 2009, assumed the responsibility of Chief Operating Officer of the  
15 Company.

### 16 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

17 55. Plaintiff brings this action as a class action pursuant to Federal Rules  
18 of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all persons  
19 who purchased the common stock of LFT during the Class Period and who were  
20 damaged thereby. Excluded from the Class are Defendants, the officers and  
21 directors of the Company at all relevant times, members of their immediate families  
22 and their legal representatives, heirs, successors or assigns and any entity in which  
23 defendants have or had a controlling interest.

24 56. The members of the Class are so numerous that joinder of all members  
25 is impracticable. Throughout the Class Period, LFT's securities were actively  
26 traded on the NYSE. While the exact number of Class members is unknown to  
27 Plaintiff at this time and can only be ascertained through appropriate discovery,  
28 Plaintiff believes that there are at least hundreds of members in the proposed Class.  
Members of the Class may be identified from records maintained by LFT or its  
transfer agent and may be notified of the pendency of this action by mail, using a  
form of notice customarily used in securities class actions.

1           57. Plaintiff's claims are typical of the claims of the members of the Class,  
2 as all members of the Class are similarly affected by Defendants' wrongful conduct  
3 in violation of federal law that is complained of herein.

4           58. Plaintiff will fairly and adequately protect the interests of the members  
5 of the Class and has retained counsel competent and experienced in class and  
6 securities litigation.

7           59. Common questions of law and fact exist as to all members of the Class  
8 and predominate over any questions solely affecting individual members of the  
9 Class. Among the questions of law and fact common to the Class are:

- 10           (a) whether the federal securities laws were violated by Defendants' acts as  
11 alleged herein;
- 12           (b) whether statements made by Defendants to the investing public during  
13 the Class Period misrepresented material facts about the business,  
14 operations and management of LFT; and
- 15           (c) to what extent the members of the Class have sustained damages and the  
16 proper measure of damages.

17           60. A class action is superior to all other available methods for the fair and  
18 efficient adjudication of this controversy since joinder of all members is  
19 impracticable. Furthermore, as the damages suffered by individual Class members  
20 may be relatively small, the expense and burden of individual litigation make it  
21 impossible for members of the Class to redress individually the wrongs done to  
22 them. There will be no difficulty in the management of this action as a class action.

23                   **Applicability of Presumption of Reliance:**

24                   **Fraud-on-the-Market Doctrine**

25           61. At all relevant times, the market for LFT's common stock was an  
26 efficient market for the following reasons, among others:

- 27           (a) LFT's stock met the requirements for listing, and is listed and  
28 actively traded on the NYSE, a highly efficient and automated market;

1 (b) During the class period, on average, over several hundreds of thousands of  
2 shares of LFT stock were traded on a weekly basis, demonstrating a very active and broad  
3 market for LFT stock and permitting a *very strong* presumption of an efficient market;

4 (c) As a regulated issuer, LFT filed periodic public reports with the SEC  
5 and was eligible and did file short form registration statements with the SEC on  
6 Form S-3 during the Class Period;

7 (d) LFT regularly communicated with public investors via established  
8 market communication mechanisms, including through regular disseminations of  
9 press releases on the national circuits of major newswire services and through  
10 other wide-ranging public disclosures, such as communications with the financial  
11 press and other similar reporting services;

12 (e) LFT was followed by several securities analysts employed by  
13 major brokerage firms who wrote reports that were distributed to the sales force  
14 and certain customers of their respective brokerage firms during the Class  
15 Period. Each of these reports was publicly available and entered the public  
16 marketplace;

17 (f) Numerous NASD member firms were active market-makers in LFT  
18 stock at all times during the Class Period; and

19 (g) Unexpected material news about LFT was rapidly reflected and  
20 incorporated into the Company's stock price during the Class Period.

21 62. As a result of the foregoing, the market for LFT's common stock  
22 promptly digested current information regarding LFT from all publicly available  
23 sources and reflected such information in LFT's stock price. Under these  
24 circumstances, all purchasers of LFT's common stock during the Class Period  
25 suffered similar injury through their purchase of LFT's common stock at artificially  
26 inflated prices, and a presumption of reliance applies.

**FIRST CLAIM**  
**Violation of Section 10(b) Of**  
**The Exchange Act Against and Rule 10b-5**  
**Promulgated Thereunder Against All Defendants**

63. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

64. This claim is brought against LFT and all of the Individual Defendants.

65. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including plaintiff and other Class members, as alleged herein; and (2) cause plaintiff and other members of the Class to purchase LFT's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

66. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for LFT's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

67. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of LFT as specified herein.

1           68. These Defendants employed devices, schemes and artifices to defraud,  
2 while in possession of material adverse non-public information and engaged in acts,  
3 practices, and a course of conduct as alleged herein in an effort to assure investors  
4 of LFT's value and performance and continued substantial growth, which included  
5 the making of, or participation in the making of, untrue statements of material facts  
6 and omitting to state material facts necessary in order to make the statements made  
7 about LFT and its business operations and future prospects in the light of the  
8 circumstances under which they were made, not misleading, as set forth more  
9 particularly herein, and engaged in transactions, practices and a course of business  
10 that operated as a fraud and deceit upon the purchasers of LFT's common stock  
11 during the Class Period.

12           69. Each of the Individual Defendants' primary liability, and controlling  
13 person liability, arises from the following facts: (1) the Individual Defendants were  
14 high-level executives, directors, and/or agents at the Company during the Class  
15 Period and members of the Company's management team or had control thereof;  
16 (2) each of these defendants, by virtue of his or her responsibilities and activities as  
17 a senior officer and/or director of the Company, was privy to and participated in the  
18 creation, development and reporting of the Company's financial condition; (3) each  
19 of these defendants enjoyed significant personal contact and familiarity with the  
20 other defendants and was advised of and had access to other members of the  
21 Company's management team, internal reports and other data and information  
22 about the Company's finances, operations, and sales at all relevant times; and  
23 (4) each of these defendants was aware of the Company's dissemination of  
24 information to the investing public which they knew or recklessly disregarded was  
25 materially false and misleading.

26           70. Defendants had actual knowledge of the misrepresentations and  
27 omissions of material facts set forth herein, or acted with reckless disregard for the  
28 truth in that they failed to ascertain and to disclose such facts, even though such



1 facts were available to them. Such Defendants' material misrepresentations and/or  
2 omissions were done knowingly or recklessly and for the purpose and effect of  
3 concealing LFT's operating condition and future business prospects from the  
4 investing public and supporting the artificially inflated price of its common stock.  
5 As demonstrated by Defendants' overstatements and misstatements of the  
6 Company's financial condition throughout the Class Period, Defendants, if they did  
7 not have actual knowledge of the misrepresentations and omissions alleged, were  
8 reckless in failing to obtain such knowledge by deliberately refraining from taking  
9 those steps necessary to discover whether those statements were false or  
10 misleading.

11 71. As a result of the dissemination of the materially false and misleading  
12 information and failure to disclose material facts, as set forth above, the market  
13 price of LFT's common stock was artificially inflated during the Class Period. In  
14 ignorance of the fact that market prices of LFT's publicly-traded common stock  
15 were artificially inflated, and relying directly or indirectly on the false and  
16 misleading statements made by Defendants, or upon the integrity of the market in  
17 which the common stock trades, and/or on the absence of material adverse  
18 information that was known to or recklessly disregarded by Defendants but not  
19 disclosed in public statements by Defendants during the Class Period, Plaintiff and  
20 the other members of the Class acquired LFT common stock during the Class  
21 Period at artificially high prices and were or will be damaged thereby.

22 72. At the time of said misrepresentations and omissions, Plaintiff and  
23 other members of the Class were ignorant of their falsity, and believed them to be  
24 true. Had Plaintiff and the other members of the Class and the marketplace known  
25 the truth regarding LFT's financial results, which were not disclosed by defendants,  
26 Plaintiff and other members of the Class would not have purchased or otherwise  
27 acquired their LFT common stock, or, if they had acquired such common stock  
28

1 during the Class Period, they would not have done so at the artificially inflated  
2 prices that they paid.

3 73. By virtue of the foregoing, Defendants have violated Section 10(b) of  
4 the Exchange Act, and Rule 10b-5 promulgated thereunder.

5 74. As a direct and proximate result of Defendants' wrongful conduct,  
6 Plaintiff and the other members of the Class suffered damages in connection with  
7 their respective purchases and sales of the Company's common stock during the  
8 Class Period.

9 75. This action was filed within two years of discovery of the fraud and  
10 within five years of each plaintiff's purchases of securities giving rise to the cause  
11 of action.

12 **SECOND CLAIM**  
13 **Violation of Section 20(a) Of**  
14 **The Exchange Act Against the Individual Defendants**

15 76. Plaintiff repeats and realleges each and every allegation contained  
16 above as if fully set forth herein.

17 77. The Individual Defendants acted as controlling persons of LFT within  
18 the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of  
19 their high-level positions, agency, and their ownership and contractual rights,  
20 participation in and/or awareness of the Company's operations and/or intimate  
21 knowledge of the false financial statements filed by the Company with the SEC and  
22 disseminated to the investing public, the Individual Defendants had the power to  
23 influence and control, and did influence and control, directly or indirectly, the  
24 decision-making of the Company, including the content and dissemination of the  
25 various statements that plaintiff contends are false and misleading. The Individual  
26 Defendants were provided with or had unlimited access to copies of the Company's  
27 reports, press releases, public filings and other statements alleged by Plaintiff to  
28 have been misleading prior to and/or shortly after these statements were issued and

1 had the ability to prevent the issuance of the statements or to cause the statements to  
2 be corrected.

3 78. In particular, each Defendant had direct and supervisory involvement  
4 in the day-to-day operations of the Company and, therefore, is presumed to have  
5 had the power to control or influence the particular transactions giving rise to the  
6 securities violations as alleged herein, and exercised the same.

7 79. As set forth above, LFT and the Individual Defendants each violated  
8 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this  
9 Complaint.

10 80. By virtue of their positions as controlling persons, the Individual  
11 Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct  
12 and proximate result of Defendants' wrongful conduct, Plaintiff and other members  
13 of the Class suffered damages in connection with their purchases of the Company's  
14 common stock during the Class Period.

15 81. This action was filed within two years of discovery of the fraud and  
16 within five years of each Plaintiff's purchases of securities giving rise to the cause  
17 of action.

### 18 **PRAYER FOR RELIEF**

19 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

20 (a) Determining that this action is a proper class action, designating  
21 Plaintiff as class representative under Rule 23 of the Federal Rules of Civil  
22 Procedure and Plaintiff's counsel as Class Counsel;

23 (b) Awarding compensatory damages in favor of Plaintiff and the  
24 other Class members against all defendants, jointly and severally, for all damages  
25 sustained as a result of defendants' wrongdoing, in an amount to be proven at trial,  
26 including interest thereon;

27 (c) Awarding Plaintiff and the Class their reasonable costs and  
28 expenses incurred in this action, including counsel fees and expert fees; and

1 (d) Awarding such other and further relief as the Court may deem  
2 just and proper.

3 **JURY TRIAL DEMANDED**

4 Plaintiff hereby demands a trial by jury.

5  
6 Dated: May 23, 2011

Respectfully submitted,

8 **THE ROSEN LAW FIRM, P.A.**

9  
10 

11  
12 Laurence M. Rosen, Esq. (SBN 219683)  
13 THE ROSEN LAW FIRM, P.A.  
14 333 South Grand Avenue, 25<sup>th</sup> Floor  
15 Los Angeles, CA 90071  
16 Telephone: (213) 785-2610  
17 Facsimile: (213) 226-4684  
18 Email: [lrosen@rosenlegal.com](mailto:lrosen@rosenlegal.com)

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28  
Counsel for Plaintiff

## Name &amp; Address:

Laurence M. Rosen, Esq. (SBN 219683)  
 THE ROSEN LAW FIRM, P.A.  
 333 South Grand Avenue, 25th Floor  
 Los Angeles, CA 90071

UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA

JOE MIKUS, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS  
 SIMILARLY SITUATED,

PLAINTIFF(S)

v.

LONGTOP FINANCIAL TECHNOLOGIES LIMITED, HIU KUNG KA  
 (XIAOGONG JIA), WAI CHAU LIN (WEIZHOU LIAN), DEREK  
 PALASCHUK, THOMAS GURNEE, ZUYUN XUE, AND YIFENG  
 SHEN,

DEFENDANT(S).

CASE NUMBER

CV11-4402-mmm(FFM)

## SUMMONS

TO: DEFENDANT(S): \_\_\_\_\_

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☒ complaint ☐ \_\_\_\_\_ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Laurence M. Rosen, whose address is 333 South Grand Avenue, 25th Floor, Los Angeles, CA 90071. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Clerk, U.S. District Court

Dated: MAY 23 2011

By: MARTLYN DAVIS  
 Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

**NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY**

This case has been assigned to District Judge Margaret M. Morrow and the assigned discovery Magistrate Judge is Frederick F. Mumm.

The case number on all documents filed with the Court should read as follows:

**CV11- 4402 MMM (FFM~~x~~)**

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

===== :  
**NOTICE TO COUNSEL**

*A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).*

Subsequent documents must be filed at the following location:

☒ **Western Division**  
312 N. Spring St., Rm. G-8  
Los Angeles, CA 90012

☐ **Southern Division**  
411 West Fourth St., Rm. 1-053  
Santa Ana, CA 92701-4516

☐ **Eastern Division**  
3470 Twelfth St., Rm. 134  
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA**  
**CIVIL COVER SHEET**

<b>I (a) PLAINTIFFS</b> (Check box if you are representing yourself <input type="checkbox"/> JOE MIKUS, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED,	<b>DEFENDANTS</b> LONGTOP FINANCIAL TECHNOLOGIES LIMITED, HIU KUNG KA (XIAOGONG JIA), WAI CHAU LIN (WEIZHOU LIAN), DEREK PALASCHUK, THOMAS GURNEE, ZUYUN XUE, AND YIFENG SHEN,
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<b>(b) Attorneys</b> (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)  Laurence M. Rosen, Esq. (SBN 219683), THE ROSEN LAW FIRM, P.A. 333 South Grand Avenue, 25th Floor, Los Angeles, CA 90071, T: (213) 785-2610, F: (213) 226-4684	<b>Attorneys (If Known)</b>
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**II. BASIS OF JURISDICTION** (Place an X in one box only.)

- ☐ 1 U.S. Government Plaintiff     ☒ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant     ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only**  
(Place an X in one box for plaintiff and one for defendant.)

	PTF	DEF		PTF	DEF
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

**IV. ORIGIN** (Place an X in one box only.)

- ☒ 1 Original Proceeding     ☐ 2 Removed from State Court     ☐ 3 Remanded from Appellate Court     ☐ 4 Reinstated or Reopened     ☐ 5 Transferred from another district (specify):     ☐ 6 Multi-District Litigation     ☐ 7 Appeal to District Judge from Magistrate Judge

**V. REQUESTED IN COMPLAINT: JURY DEMAND:** ☒ Yes     ☐ No (Check 'Yes' only if demanded in complaint.)**CLASS ACTION** under F.R.C.P. 23: ☒ Yes     ☐ No**MONEY DEMANDED IN COMPLAINT: \$** \_\_\_\_\_**VI. CAUSE OF ACTION** (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)  
 Securities Fraud Class Action, 15 U.S.C. §78j(b) and 78t(a), 17 C.F.R. §240.10b-5**VII. NATURE OF SUIT** (Place an X in one box only.)

OTHER STATUTES	CONTRACT	TORTS	TORTS	PRISONER	LABOR
<input type="checkbox"/> 400 State Reapportionment	<input type="checkbox"/> 110 Insurance	<b>PERSONAL INJURY</b>	<b>PERSONAL PROPERTY</b>	<b>PETITIONS</b>	<input type="checkbox"/> 710 Fair Labor Standards Act
<input type="checkbox"/> 410 Antitrust	<input type="checkbox"/> 120 Marine	<input type="checkbox"/> 310 Airplane	<input type="checkbox"/> 370 Other Fraud	<input type="checkbox"/> 510 Motions to Vacate Sentence	<input type="checkbox"/> 720 Labor/Mgmt. Relations
<input type="checkbox"/> 430 Banks and Banking	<input type="checkbox"/> 130 Miller Act	<input type="checkbox"/> 315 Airplane Product Liability	<input type="checkbox"/> 371 Truth in Lending	<input type="checkbox"/> 530 General Habeas Corpus	<input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act
<input type="checkbox"/> 450 Commerce/ICC Rates/etc.	<input type="checkbox"/> 140 Negotiable Instrument	<input type="checkbox"/> 320 Assault, Libel & Slander	<input type="checkbox"/> 380 Other Personal Property Damage	<input type="checkbox"/> 535 Death Penalty	<input type="checkbox"/> 740 Railway Labor Act
<input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment	<input type="checkbox"/> 330 Fed. Employers' Liability	<input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 540 Mandamus/Other	<input type="checkbox"/> 790 Other Labor Litigation
<input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations	<input type="checkbox"/> 151 Medicare Act	<input type="checkbox"/> 340 Marine	<b>BANKRUPTCY</b>	<input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 791 Empl. Ret. Inc. Security Act
<input type="checkbox"/> 480 Consumer Credit	<input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans)	<input type="checkbox"/> 345 Marine Product Liability	<input type="checkbox"/> 422 Appeal 28 USC 158	<input type="checkbox"/> 555 Prison Condition	<b>PROPERTY RIGHTS</b>
<input type="checkbox"/> 490 Cable/Sat TV	<input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits	<input type="checkbox"/> 350 Motor Vehicle	<input type="checkbox"/> 423 Withdrawal 28 USC 157	<b>FORFEITURE/PENALTY</b>	<input type="checkbox"/> 820 Copyrights
<input type="checkbox"/> 810 Selective Service	<input type="checkbox"/> 160 Stockholders' Suits	<input type="checkbox"/> 355 Motor Vehicle Product Liability	<b>CIVIL RIGHTS</b>	<input type="checkbox"/> 610 Agriculture	<input type="checkbox"/> 830 Patent
<input type="checkbox"/> 850 Securities/Commodities/Exchange	<input type="checkbox"/> 190 Other Contract	<input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 441 Voting	<input type="checkbox"/> 620 Other Food & Drug	<input type="checkbox"/> 840 Trademark
<input type="checkbox"/> 875 Customer Challenge 12 USC 3410	<input type="checkbox"/> 195 Contract Product Liability	<input type="checkbox"/> 362 Personal Injury-Med Malpractice	<input type="checkbox"/> 442 Employment	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881	<b>SOCIAL SECURITY</b>
<input checked="" type="checkbox"/> 890 Other Statutory Actions	<input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 365 Personal Injury-Product Liability	<input type="checkbox"/> 443 Housing/Accommodations	<input type="checkbox"/> 630 Liquor Laws	<input type="checkbox"/> 861 HIA (1395ff) (405(g))
<input type="checkbox"/> 891 Agricultural Act	<b>REAL PROPERTY</b>	<input type="checkbox"/> 368 Asbestos Personal Injury Product Liability	<input type="checkbox"/> 444 Welfare	<input type="checkbox"/> 640 R.R. & Truck	<input type="checkbox"/> 862 Black Lung (923)
<input type="checkbox"/> 892 Economic Stabilization Act	<input type="checkbox"/> 210 Land Condemnation	<b>IMMIGRATION</b>	<input type="checkbox"/> 445 American with Disabilities - Employment	<input type="checkbox"/> 650 Airline Regs	<input type="checkbox"/> 863 DIWC/DIWW
<input type="checkbox"/> 893 Environmental Matters	<input type="checkbox"/> 220 Foreclosure	<input type="checkbox"/> 462 Naturalization Application	<input type="checkbox"/> 446 American with Disabilities - Other	<input type="checkbox"/> 660 Occupational Safety /Health	<input type="checkbox"/> 864 SSID Title XVI
<input type="checkbox"/> 894 Energy Allocation Act	<input type="checkbox"/> 230 Rent Lease & Ejectment	<input type="checkbox"/> 463 Habeas Corpus-Alien Detainee	<input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 690 Other	<input type="checkbox"/> 865 RSI (405(g))
<input type="checkbox"/> 895 Freedom of Info. Act	<input type="checkbox"/> 240 Torts to Land	<input type="checkbox"/> 465 Other Immigration Actions			<b>FEDERAL TAX SUITS</b>
<input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice	<input type="checkbox"/> 245 Tort Product Liability				<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)
<input type="checkbox"/> 950 Constitutionality of State Statutes	<input type="checkbox"/> 290 All Other Real Property				<input type="checkbox"/> 871 IRS-Third Party 26 USC 7609

# CV11-4402

FOR OFFICE USE ONLY: Case Number: \_\_\_\_\_

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.



**UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA  
CIVIL COVER SHEET**

**VIII(a). IDENTICAL CASES:** Has this action been previously filed in this court and dismissed, remanded or closed? ☒ No ☐ Yes  
If yes, list case number(s): \_\_\_\_\_

**VIII(b). RELATED CASES:** Have any cases been previously filed in this court that are related to the present case? ☒ No ☐ Yes  
If yes, list case number(s): \_\_\_\_\_

**Civil cases are deemed related if a previously filed case and the present case:**

- (Check all boxes that apply) ☐ A. Arise from the same or closely related transactions, happenings, or events; or  
☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or  
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or  
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

**IX. VENUE:** (When completing the following information, use an additional sheet if necessary.)

- (a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.  
☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	Texas

- (b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.  
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	People's Republic of China

- (c). List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.  
**Note: In land condemnation cases, use the location of the tract of land involved.**

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles	

\* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

**Note:** In land condemnation cases, use the location of the tract of land involved

**X. SIGNATURE OF ATTORNEY (OR PRO PER):**  Date May 23, 2011

**Notice to Counsel/Parties:** The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

**Key to Statistical codes relating to Social Security Cases:**

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))